



# NSW Green Paper on Industry Policy

Submission to Investment NSW

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Via email: [industrypolicy@investment.nsw.gov.au](mailto:industrypolicy@investment.nsw.gov.au)

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a submission in response to Investment NSW's Green Paper on Industry Policy.

The BCCM is the national peak body for co-operative and mutual enterprises (CMEs) in Australia. It is a member driven and funded organisation representing CMEs operating in all industries including agriculture, manufacturing, energy, insurance, banking, mobility, housing, retail, wholesale, health and community services.

As key players in the NSW economy, co-operatives and mutuals generate high quality employment, maintain vital supply chains, and secure access to essential services for millions of people. There are more than 780 co-ops and mutuals operating in NSW with over 7 million members, a combined turnover close to \$12.5bn, and employing over 20,000 workers directly. In addition, NSW-based producer-owned co-ops serve thousands of small businesses across a range of retail, wholesale and manufacturing industries.

Our response is focused on outlining the benefits of an industry policy that is "business model conscious", and specially leverages the power of the co-operative business model to complement and boost the efficacy of other geographic, sectoral or firm-level incentives and programs.

### **Background: How co-op business models drive industry development and benefit the community**

Co-operatives and mutuals are incorporated businesses that are democratically governed by their members. They are an internationally-recognised model for delivering sustainable economic development that benefits member and the wider community.

*More regions in New South Wales can emulate the success of **HunterNet Co-operative**, a joint venture that allows engineering, defence and manufacturing businesses operating around Newcastle to share expertise, access markets that typically favour larger entrants through joint bidding, and to share the costs of research, innovation, employee training and apprentice management. HunterNet is funded by member subscriptions and delivery of member services such as its successful group training arm. HunterNet has 200 members representing 70,000 employees.*

Common forms of co-operative and mutual include:

- Consumer-owned (e.g. a mutual bank or not-for-profit health insurer)
- Producer-owned (e.g. a farmer co-op or small business buying group)
- Worker-owned (e.g. a worker-owned care service provider or manufacturer)
- Community-owned (e.g. a local clean energy generator)

Producer-owned co-ops are particularly important for industry policy. Small businesses such as family farms, SME manufacturers or independent retailers work together in co-ops to achieve lower operating costs, increased profitability and to develop a network of likeminded business owners.

Producer-owned co-ops undertake a range of activities to benefit their members including group buying of products or insurance, provision of shared admin functions or services, managing a common brand or digital sales platform, processing and export services, and providing industry education and training.

Structuring an industry collaboration through a co-op delivers the following benefits:

- Because it is a corporate structure, it has clear governance requirements
- Because it is a democratic structure, it allows for equitable participation of smaller and larger businesses (control is democratic, benefits of economic participation are in proportion to size)
- Because it owned locally where business operate, there is no leakage of value out of the local economy
- Because it is an open membership structure, it is geared towards long-term industry development rather than short-term profits

Examples of NSW-based producer co-ops include:

- Norco (dairy and farm input manufacturing, 300 members)
- The Casino Food Co-op (meat processing and hide tanning, 1000 members),
- ILG (liquor retail, 1,500 members),
- HunterNet (defence and engineering, 200 members),
- Go Vita (food retail, 150 members),
- RapidClean (cleaning supplies, 80 members).

### **Building a co-op conscious industry policy (consultation questions 4-6)**

Traditional industry development approaches provide stimulus and assistance at the individual firm level, or target an emerging sector with growth potential. What has been missing in industry policy is targeted support that incentivises smaller firms to join up with other business owners to find shared solutions, access new markets and to leverage the economies of scale usually enjoyed by larger market entrants.

Co-operatives are regulated by the State and can access State based investment programs like the Co-operative Loans Scheme. Utilising their unique structure for pooling and accessing capital they can assist smaller firms to access capital from external investors usually reserved for larger companies.

**The BCCM recommends that a Co-operative Entrepreneurship program is introduced as a new targeted industry development program delivered as partnership between BCCM and Investment NSW.**

The Co-operative Entrepreneurship program will focus on helping NSW small businesses to form and grow co-operatives for networking, education and training, group buying, marketing, shared infrastructure, shared labour or risk pooling purposes. It will facilitate development of new markets and trading opportunities by and for NSW business in sectors such as food processing, engineering, defence and cleaning supplies.

Activities under such a program would complement existing business programs by providing the following services and outputs that are not available through other programs:

- Access to expert information hotline, education and advice for small business about formation of a co-operative (business idea development, member engagement, business planning, formation legal documentation)
- Access to education and advice for established co-operatives of businesses to develop growth plans (strategic planning, capital structure etc.)
- Access to industry mentoring for co-operatives
- Longitudinal research on the role of co-operative clustering to inform industry policy development in NSW Government

### **Comment on current industry programs (consultation questions 11-15)**

The BCCM supports the NSW Government's Co-operative Loan Scheme as a very effective means of leveraging a Commonwealth tax policy for co-operative companies to incentivise producers to work together to develop the State economy. The BCCM supports further promotion of this Scheme to primary producers and other small businesses, either as part of the above proposed Co-operative Entrepreneurship program or as a standalone activity.

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